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C O N F I D E N T I A L SECTION 02 OF 02 BEIJING 003760

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TAGS: [PREL](#) [PGOV](#) [ENRG](#) [ETRD](#) [VE](#) [CH](#)
SUBJECT: CHINA MFA: CHAVEZ VISIT PRIMARILY ECONOMIC, NOT A
THREAT TO THE UNITED STATES

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not actually hammered down during the visit. MFA's Chen stressed that China's energy cooperation with Venezuela will not affect world supply. China currently imports only four percent of Venezuela's output, and Venezuela's known reserves of oil and gas continue to grow as new fields are discovered. CICIR's Wu Hongying characterized the deals as a "minor attempt at diversification" of China's energy supply. She said that China's purchases from Venezuela represent only a small fraction of U.S. purchases of Venezuelan oil. She noted the impracticality of China's relying on Venezuela for energy security, as Venezuela is distant from China and the quality of Venezuelan crude is generally low.

Fund for Development

16. (C) During the visit China and Venezuela inked an agreement to expand an existing "heavy investment" fund from USD 6 billion to USD 12 billion. The sixth China-Venezuela High-Level Joint Commission established the fund in 2007 to fund the development of agriculture, the energy sector and commerce. MFA's Chen Luning emphasized that corporations and not governments provided all the money in the fund, with Chinese industries providing USD 4 billion and Venezuelan sources providing the remaining USD 2 billion. The expansion from 6 to 12 billion US dollars will be funded at the same ratio, Chen said.

Possible Military Cooperation

17. (C) In televised remarks, Chavez announced the procurement of 24 K-8 trainer jets from China. In a television interview following his visit to China, he expressed happiness at the purchase, but downplayed the significance, stating that the "most important aspects" of his visit were "energy and financing" (ref A). According to an MFA official, however, training jets were not discussed in any meetings. MFA's Chen claimed that aside from discussing it with the press, Chavez did not raise the issue. The MFA spokesman on September 25 said publicly that Chinese leaders did not discuss military cooperation with Chavez.

Bank of the South

18. (C) During his meetings, Chavez discussed forming a "Bank of the South," an idea he said was particularly relevant in the face of "the collapse of capitalism and of the Western and European financial systems." Chavez told the press that the idea was "well-received" by Chinese leaders. According to the MFA, the idea is still in its infancy. According to Chen, the concept for the bank has been established, but many fundamental details related to its operations, such as which nations would provide capital and other guiding principles, remain to be decided. Chen said that the idea, while intriguing, has not yet formed into a workable concept. The current focus on the bank is no doubt in part a reaction to instability in the U.S. markets, Chen said.

PNG'ing of U.S. Ambassadors

19. (C) Chen described the Bolivian and Venezuelan Governments' PNG expulsion of U.S. Ambassadors on spurious charges (ref B) as "a bit laughable." Such actions are regrettable, as they fall outside the norms of international relations. Chen encouraged the U.S. Government to solve its disputes with both Venezuela and Bolivia in a timely manner through dialogue, as the current situation has the potential to destabilize the entire region. "Put another way," he said, "no one benefits when two people start fighting." CASS's Jiang agreed with this assessment, characterizing the PNG declarations as "nothing more than opportunism in domestic politics." He described Venezuela's following in Bolivia's footsteps as a "win-win for Chavez," who was able to strengthen his ties with Bolivia and gain domestic approval without a major shift in policy since his rhetoric already was anti-American.

